

Richard Royce – April 26, 2007

Good morning, I am Richard Royce, Director of Technology, for Hercules Incorporated. In other words, I am responsible for approving and funding every research project with which my Group is involved. We do not take this responsibility lightly – we review many projects every year and we invest our time where we think we can make an impact for our company and our customers.

Hopefully, my comments today will help you to understand our long-term commitment to provide innovative chemistries to address the changing needs of our customers and our society.

With sales of over 2 billion dollars, Hercules Incorporated is a global supplier of specialty chemicals and services to a variety of industrial markets and we currently invest over 65 million dollars in research and technology development with a goal to maintain a pipeline of new innovations to address the needs of these markets.

Today we have more than 50 ongoing Research programs and the soy-based adhesive technology, developed by Dr. Kaichang Li of Oregon State University and currently being practiced commercially in hardwood plywood -- is by far our company's largest technology project.

This soy-based adhesive requires a curing agent which is well known, well understood, and has been widely used commercially for 50 years. Although, Hercules invented this curing agent, currently we are only one of several suppliers. The point here is that there is a readily available supply chain.

This particular curing agent has many important commercial applications: in textiles for fabric proofing, in the manufacture of super absorbent polymers used in disposable diapers; in the food industry and more. However its largest and most important application is in the paper industry, where this resin is used to provide wet strength properties in grades such as paper towels, facial tissues, juice and milk cartons, coffee filters, tea bags, and currency paper.

A key point is that in the paper industry this curing agent replaced both urea and melamine formaldehyde chemistry several decades ago. Although that industry dealt

with similar "change issues", by the mid 1980's, these resins had all but replaced UF resins for wet strength in paper at equal to or lower costs.

These resins afforded the industry proven and well documented benefits, in terms of both paper properties and paper machine productivity gains that have gone far beyond simply the elimination of formaldehyde. We are seeing similar trends today in hardwood plywood, where again, these resins in combination with soy, are providing not only the elimination of formaldehyde, but also the potential to improve both board properties and plant productivity.

Based on the worldwide availability of these curing resins and their nearly 50 year history of widespread use and commercial acceptance, our industry is well positioned to meet the needs of the wood composite industry.

Hercules has been a strong, independent company for over 95 years because we listen to our customers and invest in new technologies that meet their needs for the future. We see these proposed regulations both as what consumers want and practical.